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A federal agency that disburses billions of dollars in humanitarian aid, disaster relief, and pro-democracy programs every year, has inadvertently funneled American taxpayer funds to individuals and entities with "terrorist affiliations" and lacks the safeguards to prevent such incidents from recurring, an internal audit has revealed.

In a report entitled "Audit of the Adequacy of USAID's Antiterrorism Vetting Procedures," dated November 6 and obtained by Fox News, U.S. Agency for International Development Inspector General Donald A. Gambatesa concluded USAID's "policies, procedures, and controls are not adequate to reasonably ensure against providing assistance to terrorists."

Although the federal government has long sought to institute tighter controls on the disbursement of foreign aid, Gambatesa found USAID's "policies or procedures do not require the vetting of potential or current USAID partners."

The audit was triggered this spring, after gun battles at Islamic University in Gaza pitted Fatah forces, loyal to Palestinian President Mahmoud Abbas, against their rival, Hamas, which controls the university and has been designated a terrorist group by the United States. After the shooting stopped, Fatah displayed large caches of weapons recovered from inside the university, and the Washington Times reported the school had received more than \$140,000 in USAID funding.

"In the basement of Gaza Islamic University, a U.S.-funded institution," said Rep. Mark Kirk, R-Ill., who sits on the House Appropriations Subcommittee on State, Foreign Operations and requested the audit, "Palestinian police found several Iranian agents and an Iranian general teaching the students in the U.S.-funded chemistry lab how to make suicide bombs."

The audit found at least two other troubling cases. Last year USAID learned it had granted \$180,000 to a Bosnian group whose president was, since 1997, included on a "watch list" barring his entry into the United States. And before that, a man sentenced to four years in prison for lying about his dealings with a disciple of Usama bin Laden had been part of a group

that received \$1 million from USAID.

"These kinds of problems appear to be systemic," said Kirk, a former staff official of the World Bank. "And we've created a culture that I would worry is a kind of a welfare terrorism, where the United States is backing both sides in this conflict, largely through incompetence and inattention to detail."

Sean McCormack, a spokesman for Secretary of State Condoleezza Rice, said he wasn't sure if she'd been briefed on the audit, but he assured reporters she, and officials at USAID, are committed to safeguarding taxpayer funds. "[T]hey have some issue with some of the facts, some of the analysis, and some of the recommendations put forward in the IG report," McCormack said at a briefing Monday. "But that said, of course, we're going to look at this very seriously..."

McCormack did not say what "issues" USAID officials had with the Gambatesa report.

Rooted in the Marshall Plan, which helped rebuild Europe after World War II, USAID was formally established by executive order in 1961. On its Web site, the agency describes itself as "the principal U.S. agency to extend assistance to countries recovering from disaster, trying to escape poverty, and engaging in democratic reforms."

Although it is an independent federal agency, it "receives overall foreign policy guidance" from the secretary of state. The administrator of USAID is appointed by the president subject to Senate confirmation. The head of the agency, Randall L. Tobias, a former chairman and chief executive of Eli Lilly & Company and of AT&T International, resigned abruptly last April, amid disclosures he had patronized a Washington, D.C., escort service.

Both Gambatesa and the USAID press office declined to comment for this story. The inspector general's office is supposed to submit another audit, focused specifically on USAID's operations in Gaza, by month's end.